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Newsletter

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Market Driven

Agriculture...Strategies for Success

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Partnerships for Competitive Advantage

With the rapidly changing marketplace driving the need to change the way business is done, partnering through innovative collaboration may be a strategy to consider no matter what market you're in. Agri-businesses are facing increased pressure from global markets, customer demands and ever-increasing competition. The expected benefit of partnering for agri-business is a competitive advantage.

Innovative collaboration is defined as new ways of working together or new ways of working with the enemy. Whichever definition, creative thinking and a clearly defined purpose for working together is required to achieve results.

In today's business environment, partnering goes by many names depending on the purpose of the arrangement. Some of the more popular terms are:

Consortium - includes similar businesses in similar industries that pool resources to gain a benefit they couldn't achieve on their own

Joint venture - businesses are made up of businesses from different industries. Each business provides different resources to pursue a specific opportunity

Strategic alliance - a longer term agreement between businesses for achieving common objectives

Cooperative marketing - an agreement to market partners' products or services through joint promotion. For markets requiring a guarantee of large volumes of agri-product, a marketing

cooperative may be a good option to meet this market demand that is difficult to fill by individual agripreneurs

Value-chain relationship - this type of a relationship occurs when businesses in different industries with different but complementary skills link their capital ties to create value for their customers.

Other business terms used in the food processing industry include: collaboration, supply chain alliances, vertical coordination, agri-chain competence and partner shipping.

There are several examples of innovative collaborations. For example, some agri-business are co-packing product. This is an arrangement to share food processing facilities. Hospital kitchens, caterers, restaurants or bakeries are possibilities for co-packing.

Contract growing is becoming more common. Many processors contract with producers to meet quality standards and supply requirements for a variety of products.

There are some cooperative marketing groups in Alberta that work together to consolidate individual marketing efforts. This allows for better supply management and market expansion.

Regional Food Processing Facilities have been established for food processing and product development.

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In some cases a group of producers will get together to hire producer agents. These agents provide marketing expertise to develop and expand target markets.

Some agri-businesses are developing purchase arrangements. Under this arrangement, they purchase inputs and supplies as a group to take advantage of bulk purchase discounts.

Some companies turn to co-innovation. These companies work together with universities and research institutions to solve problems, establish product standards and improve technologies, and more.

Agri-businesses have only just begun to realize the opportunities and potential in the agri-food sector. The ability to cooperate with other companies or organizations and to create win-win situations will be a key factor in the expansion of the industry.

This is the fourth article in *Market Driven Agriculture ...Strategies for Success*, a series on how to develop a market focus in your business. These articles are presented by Alberta Agriculture, Food and Rural Development's Central Region Rural Development Specialists - Business in partnership with the Alberta Women's Enterprise Initiative Association. The objective of the series is to raise awareness about the importance of markets from traditional farming through various agri-preneur ventures.

For more business and market development information check the Alberta Agriculture and Alberta Women's Enterprise Initiative Association websites at <www.agric.gov.ab.ca/diversify> and <www.awei.ab.ca>.

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Alternatives to Antibiotics in Animal Feeds

It is clear, from the experience of the past 50 years that in order to produce food cheaply, some sort of boost is needed, to help animals realize their full genetic potential and as quickly as possible. Low feed conversion ratios (FCR), high daily weight gains, and shorter fattening times are traits that we have come to rely on for good economic returns. The consumers, in return, have become accustomed to cheap food, produced under conditions, which are ethically acceptable, in terms of animal health and welfare. The antibiotics, which fulfilled these criteria, are no longer acceptable to them.

By 1995 some 90% of the antibiotics used in agriculture worldwide were estimated to be given as growth promoting and prophylactic agents rather than to treat infection. However, on the basis of antibiotic used per kg live weight, there is three times less use in animals than in humans.

In recent years, the public has become increasingly alarmed by the emergence and spread of antibiotic resistant bacteria. It is true that microbial resistance to antibiotics is on the rise, and is even becoming something of a crisis in some countries' health care. For bacteria to develop resistance to antibiotics they must first receive exposure to them. Scientists, however, dispute the source of this. Overuse of prescribed drugs in human and veterinary medicine, as well as their use as growth promoters in animals have all been blamed.

The recommended levels of antimicrobials in feed were 5 - 10 ppm in the 1950's, have increased by ten to twenty fold since then. Reports of bacteria resistant to the antibiotics used to control them, despite world-wide legislation to control use, has fueled the downfall of antibiotic use to produce cheap meat under clean conditions. Consumers may still demand antibiotic treatment from doctors where it is ineffective, but they are no longer so keen to eat meat which has been raised with their help.

Despite the arguments for using antibiotics at low levels in animal feed, the search for a pariah has become political. In Europe, Sweden was the first country to insist on a blanket ban on subtherapeutic doses of antibiotics used in animals. Denmark followed with a voluntary ban. The EU eventually succumbed to public pressure, going against the opinion of the Scientific Committee on Animal Nutrition, and has been sequentially adding to its list of banned substances in recent years, until only a few antibiotics, not related to therapeutic use in humans remains. However, a blanket ban in the EU is about to be enforced. This will have implications, not only for European producers, but also for eastern European

States, Canada and the US wishing export to the EU. These countries will have to comply with the regulations.

Novel alternatives to traditional antibiotics are already being considered in an attempt to smooth the transition from cheap food to "safe" food. There are two major concepts that are considered when assessing new feed additives which claim to be growth promoters. Firstly, natural substances which achieve similar effects to the classical antibiotic approach could be used. Secondly, the animals' own digestive processes could be enhanced. There are many ways in which this can be done, and this approach depends on the animal species in question. Two concepts that have been researched for many years are the use of enzymes and organic acids in the feed. Another is the use of probiotics or prebiotics. All of these methods work by enhancing the animals' own digestive capacity either directly or indirectly by influencing the microflora content of the gut.

One of the more recently celebrated concepts is that of using herbs and spices, essential oils or the active substances contained therein. These, developed from herbal medicine are evolving from being on the fringes of human nutrition to being more acceptable as a means of promoting the growth of animals. They have many possible modes of action. One of the well understood effects of plant extracts is their antimicrobial activity. There is already a long list of references in the scientific literature providing clear evidence of the antibacterial, antifungal and antiviral activity of many extracts against panels of animal and/or food-borne pathogens. Independent studies have clearly shown the bacteriostatic and sometimes bacteriocidal activity of many plant extracts. Many essential oils show very distinct spectra of action resembling those previously studied with antibiotics. There is also evidence that certain essential oils increase the secretion of digestive juices. The effects of these extracts depends largely on their source of origin, extraction method which can be traced chemically to the composition and level of active substance contained within. The effects of extracts also depends of how they are combined with other extracts. Research has shown that for plant extract formulations to provide their greatest effect, they should be administered in combinations, reinforced by appropriate dose or their individual active substance. This is due to the existence of primary and secondary synergistic constituents. In this case, the primary component provides the major action, while the secondary component acts synergistically to increase the total effectiveness. The secondary components may be considered potentiators in the formulations

The development of alternatives to traditional antibiotics to promote animal growth is still in the early stages. While many new products are being developed, particularly in Europe, it must be remembered that traditional Antibiotic Growth Promoters went through decades of development and testing periods and had to meet stringent regulations

before reaching the market. Natural alternatives to traditional growth promoters will have to be strictly regulated and tested as well.

The opportunity exists at present to begin to investigate the use of essential oils and other extracts from Alberta crops in the area of natural products for livestock production for human consumption.

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"Explore Direct" Summer Tours

"Explore Direct " Summer Tours is a provincial initiative of Alberta Agriculture, Food and Rural Development which involves 5 tours throughout the province - Lethbridge/Pincher Creek, Edmonton, Grande Prairie, Red Deer/Lacombe and Calgary.

You will get a chance to see, feel and smell operations involved in direct marketing and agri-tourism.

If you are a farm manager currently involved in direct marketing who wants to learn more, or a farm manager interested in diversifying into a market-focused operation, these tours are for you. We will be showcasing four operations in each of the 5 regions. You will be exposed to "best practices". You will receive information about innovative direct marketing and agri-tourism techniques. By visiting a variety of operations, you will discover that diversification can be anything which consumers desire. Learn how quality and customer service can help to set off your product from the mass marketplace.

While on the bus, you will learn about agri-education. This growing North American trend helps direct marketers add-value to their customer's "farm experience". These techniques can be used to add-value to your farm direct marketing operation too.

Expand your network and stimulate your imagination!

Dates for the tours are as follows:

Lethbridge/Pincher Creek	August 8
Edmonton	August 15
Grande Prairie	August 21
Red Deer/Lacombe	August 22
Calgary	August 29

For more information or a copy of the brochure, please contact:

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Centre Set To Bolster Canada's Organic Expertise

BADDECK, N.S., July 12, 2001 – A national centre for education and research in organic agriculture will help quench a growing thirst for knowledge in this fast-emerging sector and give Canada's producers an advantage over international competition.

Agriculture and Agri-Food Minister Lyle Vanclief today announced \$854,700 in federal funding for the facility. Known as the Organic Agriculture Centre of Canada, it will be based at the Nova Scotia Agricultural College (NSAC) in Truro and will carry out initiatives in collaboration with colleges and universities across the country.

"Success in agriculture and agri-food is becoming more and more reliant on education, knowledge and technology," said Mr. Vanclief. "Organic agriculture is presenting producers with excellent opportunities and this new centre will ensure they stay on top of the learning curve and that Canada continues to enhance its reputation as a world class supplier of organic food."

Canada's organic sector is enjoying \$1 billion-a-year in retail sales and a 20 per cent annual growth rate. Significant opportunities to take this growth even further exist in several major markets such as the United States, Europe and Japan.

The national centre in Truro is designed to help industry reach these growth targets. Producing organically demands detailed knowledge of the biological process and excellent farm management skills. The centre will ensure organic farmers and those interested in making the transition into organic production have the expertise they need and will also provide them with leading edge technologies.

Specifically, federal funding will help to develop at least four web-based courses in organic agriculture, which will be offered to students and farmers across Canada. Funding will also be used to conduct on-farm research across Canada on transition strategies to organic production. Market research will track consumer preferences for specific commodities and identify opportunities for producers. Funds will also go towards the cost of sorting and cataloguing existing

research, and the development of a help desk and newsletter.

"The NSAC is a great setting for this centre," said Dr. Bernie MacDonald, vice-principal of administration at NSAC. "We are very pleased to be playing a key role in this collaborative effort. Organic agriculture is offering new opportunities to Canada's sector and this new initiative should help ensure we make the most of them."

Mr. Vanclief also announced \$27,000 to help Canada's organic industry develop a strategy to focus on its priorities in the domestic market, and strategies for competing in international markets. The strategy will be coordinated by a team of partners, including the NSAC.

These two initiatives come on top of \$600,000 in federal funding for the organic sector announced by the Minister in early June, and \$1.3 million in support for regional organic projects, bringing total funding for organic agriculture to about \$2.8 million.

"Support for the organic sector is part of the Government of Canada's ongoing commitment to helping the sector diversify and pursue new growth opportunities," said Mr. Vanclief.

Federal funding for both the strategy and the Organic Agriculture Centre of Canada come from Agriculture and Agri-Food Canada's \$60-million-a-year Canadian Adaptation and Rural Development (CARD) fund. CARD is designed to foster the increased long-term growth, employment and competitiveness of Canada's agriculture and agri-food industry.

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